














**DUKASCOPY**  
RESEARCH PRODUCTS

05/07/2016



# Fundamental Analysis

## Major events this week (July 4– 8)

| Day/Time (GMT)   | Flag  | Currency | Event                          | Period | Actual | Forecast | Previous |
|------------------|---|----------|--------------------------------|--------|--------|----------|----------|
| <b>MONDAY</b>    |   |          |                                |        |        |          |          |
| 02:30 am         |    | AUD      | Building Approvals (MoM)       | June   | -5.2%  | -3.6%    | 3.3%     |
| 09:30 am         |    | GBP      | Construction PMI               | July   | 46.0   | 50.6     | 51.2     |
| <b>TUESDAY</b>   |   |          |                                |        |        |          |          |
| 02:30 am         |    | AUD      | Trade Balance                  | July   | -2.22B | -1.72B   | -1.58B   |
| 09:30 am         |    | GBP      | Services PMI                   | July   |        | 53.1     | 53.5     |
| <b>WEDNESDAY</b> |   |          |                                |        |        |          |          |
| 01:30 pm         |    | CAD      | Trade Balance                  | July   |        | -2.7B    | -2.9B    |
| 03:00 pm         |    | USD      | ISM Non-Manufacturing PMI      | July   |        | 53.5     | 52.9     |
| <b>THURSDAY</b>  |   |          |                                |        |        |          |          |
| 09:30 am         |    | GBP      | Manufacturing Production (MoM) | July   |        | -1.4%    | 2.3%     |
| 01:30 am         |   | USD      | Unemployment Claims            | July   |        | 272K     | 268K     |
| <b>FRIDAY</b>    |   |          |                                |        |        |          |          |
| 09:30 am         |  | GBP      | Goods Trade Balance            | July   |        | -10.2B   | -10.5B   |
| 01:30 pm         |  | CAD      | Unemployment Rate              | July   |        | 7.0%     | 6.9%     |
| 01:30 am         |  | USD      | Unemployment Rate              | July   |        | 4.8%     | 4.7%     |

## Key highlights of the week ended June 24

### Euro zone

According to the European Central Bank, during the previous month the Euro zone money supply growth rose in May as well as the annual increase in loans to households improved. The broad monetary aggregate M3 jumped 4.9% on a yearly pace, following a 4.6% rise seen in April. Moreover, it was expected to reach 4.8%. Also, it is worth to point out, that both announcements rose on a faster-than-expected rate. The annual growth rate of loans to households came in at 1.6% in May, compared with 1.5% in April. Another data revealed that the yearly advance in credit to general government reached up to 11.1% in May, from 10.3% in April. Furthermore, the expansion of credit to the private sector reached 1.3% compared to the 1.1% in April. However, loans to non-financial corporations went up 1.4% after climbing 1.2% in April. Meanwhile, the ECB has launched a raft of policy measures in order to get credit flowing.

### US

According to the official data, the US consumer spending and core PCE prices advanced in line with economists' expectations in May. The Commerce Department release indicates that personal spending went up by a seasonally adjusted 0.4% during the last month, while April's data, in turn, was revised up to 1.1% from a previously recorded jump of 1.0% that had already been its largest soar in seven years. Meanwhile, consumer spending is the single biggest source of US economic growth, which implies as much as two-thirds of economic activity. The increase in following data could be explained lifted demand for automobiles and other goods, however it is worth to point out, that fears Britain's will leave the European Union could damage confidence and force households to cut consumption. In the meantime, personal income went up 0.2%, below forecasts of 0.3% gain and compared to the 0.5% in the preceding month.

### UK

UK economy slowed in the first quarter, dragged down by weaker business investment and a growing trade deficit. Meanwhile, the current account deficit narrowed less than expected at the start of this year. According to the Office for National Statistics, the third estimate of the UK's first quarter GDP showed that the economy expanded 0.4% on a quarter base, unrevised from the previous forecast. The following data is in line with economists' forecasts. Moreover the annual GDP growth was also unrevised to 2%, pushing the UK economy to reach 7% above its pre-crisis peak in the three months from January to March.

### Japan

Japanese industrial production went down continuing its sixth consecutive month of decline in May, as factories were highly affected by weak international demand and recent earthquakes near the country's manufacturing centre. According to the data released by the Japanese Ministry of Economy, Trade and Industry, output dropped by 2.3%, highly below the expectations of a minor of 0.1% decrease. Meanwhile, previous data for output showed steep growth equalling 3.6% and 0.3% respectively in March and April. Compared to April, industrial production lost 2.3% after adding 0.5% the previous month.



**“This is an absolutely dire survey that fuels serious concern over the construction sector. Furthermore, the survey was 80% completed before the UK voted to leave the EU. The survey can only intensify concern as to just how much the construction sector will be hampered by the Brexit vote ”.**

**GBP**

*-Howard Archer, IHS Global Insight*



|   |               |
|---|---------------|
|   | <b>Impact</b> |
| UK construction PMI dropped to 7 year low of 46.0 | High          |

June was the worst month in seven years period for the Britain’s builders since construction PMI entered a contraction territory, being affected by uncertainty over the results of the EU membership referendum. According to the data, the UK construction PMI index for the previous month was much weaker than expected slipping to 46.0 points, from 51.2 mark previously, and compared with an forecasted figure of 50.5. Moreover, following number was the first reading below 50.0 mark since April 2013 and the weakest level since the middle of 2009 as uncertainty covered the sector. Although, there are strong expectations of a further decline in next month’s data. The main reasons for the following decline are the harsh drop in residential building as well as reduction in commercial work for the first time since May 2013. Although, residential construction activity went down at the fastest pace since December 2012. Civil engineering activity, in turn, remained broadly stable.

In the meantime, Bank of England Governor Mark Carney highlighted during the previous week’s conference that he suppose the central bank would have to provide more incentives for the Britain’s economy over the summer in order to get rid of the referendum’s results shock.



| FORECASTS |          |          |
|-----------|----------|----------|
| 1 MONTH   | 3 MONTHS | 12 MONTH |
|           | 1.53     | 1.53     |
| 1.51      | 1.49     | 1.49     |
| 1.46      | 1.45     | 1.43     |
| 1.42      |          |          |

| Trends*        | Q3 16 | Q4 16 | Q1 16 |
|----------------|-------|-------|-------|
| MAX            | 1.59  | 1.84  | 1.63  |
| 75% percentile | 1.51  | 1.53  | 1.53  |
| Median         | 1.46  | 1.49  | 1.49  |
| 25% percentile | 1.42  | 1.45  | 1.43  |
| MIN            | 1.35  | 1.23  | 1.23  |

\* the data is based on international banks’ forecasts

|         | 05.07 open price | 05.07 close price | % change |
|---------|------------------|-------------------|----------|
| GBP/USD | 1.3251           | 1.3269            | -0.29%   |
| EUR/GBP | 0.8381           | 0.8391            | -0.07%   |
| GBP/CAD | 1.7100           | 1.7105            | -0.53%   |
| GBP/JPY | 136.21           | 136.13            | +0.12%   |



**“Over the year retail turnover is up 3.4 per cent. Looking forward we would expect a fall in retail sales in June on account of a particularly bad storm over much of the east coast, including Sydney, that would have disrupted retail activity in the first weekend of the month”.**

*-Phil Odonaghoe, Deutsche Bank*

**AUD**



|   |               |
|---|---------------|
|   | <b>Impact</b> |
| Retail sales went up but miss expectations; trade balance -2.218B vs. -1.500B | High          |

According to the Australian Bureau of Statistics, the retail sales advanced at a faster rate in May. The release showed a 0.2% rise in seasonally adjusted sales, a slight improvement from the 0.1% growth rate in April. The following minor small was supported by people buying more groceries, going out for food at cafes and restaurants, and eating more takeaway. The newspapers and books sales, in turn, accelerated 0.5%, while pharmaceuticals and cosmetics added 0.6%. Moreover, department store sales stayed flat, while household goods showed a plunge of 1.1%. Clothing, footwear, and personal accessories also diminished 1.2% as the colder winter months remained unseasonably warm for most of May.

Compared to a healthy print of \$1.579 billion deficit in April the current Australia's balance on goods and services equals to \$2.2 billion. Meanwhile, a median estimate of economists forecast was a deficit of \$1.72 billion. Moreover, Australia's trade deficit has been on a gradual downtrend since the end of last year, mainly due to the weak local currency which pushed export volumes for the resource-dependent economy.



| Trends*        | Q3 16 | Q4 16 | Q1 16 |
|----------------|-------|-------|-------|
| MAX            | 0.81  | 0.83  | 0.80  |
| 75% percentile | 0.73  | 0.74  | 0.75  |
| Median         | 0.72  | 0.72  | 0.72  |
| 25% percentile | 0.70  | 0.70  | 0.70  |
| MIN            | 0.65  | 0.62  | 0.58  |

\* the data is based on international banks' forecasts

|         | 05.07 open price | 05.07 close price | % change |
|---------|------------------|-------------------|----------|
| AUD/JPY | 76.820           | 76.795            | +0.13%   |
| AUD/USD | 0.749            | 0.749             | -0.28%   |
| EUR/AUD | 1.492            | 1.483             | -0.07%   |
| GBP/AUD | 1.776            | 1.768             | +0.00%   |





*“This weakening has coincided with the suspension of oil sands production in the face of wildfires through much of Alberta that is expected to send overall GDP growth into negative territory in the second quarter”.*

**CAD** -RBC



|  |               |
|--|---------------|
|  | <b>Impact</b> |
| Canadian manufacturing growth slows in June and hits 4-month low | High          |

A monthly survey of purchasing managers suggests the outlook for Canada's manufacturing sector has become slightly less positive than it was in May. The RBC Canadian Manufacturing Purchasing Managers' index, a measure of manufacturing business conditions, dipped to a seasonally adjusted 51.8 last month from 52.1 in May. It was the fourth month in a row for the index to register more than 50.0, signaling that purchasing managers at Canadian manufacturing companies see signs of expansion in the coming months. There was no consensus forecast and the market reaction was limited. The need to re-build inventories should help protect manufacturing from a sustained downturn over the next few months.

Accordingly, one of the major drags on the headline PMI was slower output growth. The output index fell to 51.5 from May's 11-month high of 52.8. Economic indicators show the Canadian economy continues to struggle with the impact of cheaper oil, a major export for the country. Data released last week showed only modest growth in the economy in April after two months of declines, paving the way for a sickly second quarter on the back of the devastation caused by major wildfires in Alberta.















| Trends*        | Q3 16 | Q4 16 | Q1 16 |
|----------------|-------|-------|-------|
| MAX            | 1.40  | 1.45  | 1.50  |
| 75% percentile | 1.35  | 1.34  | 1.35  |
| Median         | 1.32  | 1.31  | 1.30  |
| 25% percentile | 1.28  | 1.26  | 1.27  |
| MIN            | 1.22  | 0.84  | 1.18  |

\* the data is based on international banks' forecasts

|         | 05.07 open price | 05.07 close price | % change |
|---------|------------------|-------------------|----------|
| AUD/CAD | 76.820           | 76.795            | -0.53%   |
| CAD/CHF | 0.749            | 0.749             | -0.30%   |
| EUR/CAD | 1.492            | 1.483             | -0.07%   |
| USD/CAD | 1.776            | 1.768             | -0.53%   |

## Major events of the previous week (June 27– July 1)

| Day/Time (GMT)   | Flag  | Currency | Event                   | Period  | Actual          | Forecast | Previous |
|------------------|---|----------|-------------------------|---------|-----------------|----------|----------|
| <b>MONDAY</b>    |   |          |                         |         |                 |          |          |
| 06:00 am         |    | EUR      | Private Loans (YoY)     | June    | 1.6%            |          | 1.5%     |
| 1:30 pm          |    | USD      | Goods Trade Balance     | May     | <b>-\$61.0B</b> | -\$59.5B | -\$58.0B |
| <b>TUESDAY</b>   |   |          |                         |         |                 |          |          |
| 1:30 pm          |    | USD      | Final GDP               | Quarter | <b>1.1%</b>     | 1.0%     | 0.8%     |
| 23:50 pm         |    | JPY      | Retail Trade (YoY)      | May     | <b>-1.9%</b>    | -1.6%    | -0.9%    |
| <b>WEDNESDAY</b> |   |          |                         |         |                 |          |          |
| 09:00 am         |    | EUR      | Industrial Confidence   | June    | <b>-2.8</b>     | -3.4     | -3.7     |
| 1:30 pm          |    | USD      | Personal Spending (MoM) | June    | 0.4%            | 0.4%     | 1.1%     |
| <b>THURSDAY</b>  |   |          |                         |         |                 |          |          |
| 9:30 am          |    | GBP      | Final GDP               | Quarter | 0.4%            | 0.4%     | 0.4%     |
| 1:30 pm          |   | CAD      | GDP (MoM)               | June    | 0.1%            | 0.1%     | -0.2%    |
| 1:30 pm          |  | USD      | Unemployment Claims     | June    | 268K            | 267K     | 259K     |
| <b>FRIDAY</b>    |   |          |                         |         |                 |          |          |
| 02:00 am         |  | CNY      | Manufacturing PMI       | June    | 50.0            | 50.0     | 50.1     |
| 09:30 am         |  | EUR      | Manufacturing PMI       | June    | <b>52.1</b>     | 50.2     | 50.1     |
| 3:00 pm          |  | USD      | ISM Manufacturing PMI   | June    | <b>53.2</b>     | 51.3     | 51.3     |

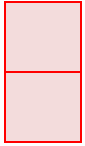
## EXPLANATIONS

### Chart

- **SMA (55)** – Simple Moving Average of 55 periods
- **SMA (200)** – Simple Moving Average of 200 periods

### Forecasts

*Third Quartile* – separates 25% of the highest forecasts



*Second Quartile* – the median price based on the projections of the industry

*First Quartile* – separates 25% of the lowest forecasts





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